(c) whether it is also a fact that Government propose to bring down the Fiscal deficit in the current year down to 6% of GDP and not to the low of 1992-93 despite a out in expenditure by 3.4% of GIP, if so, what are the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) The percentage of fiscal deficit to GDP in the years 1990-91, 1991-92 and 1992-93 was 8.39%, 5.90% and 5.69% respectively.

(b) The fiscal deficit which indicates the total borrowing requirements of the Government from all sources is expected to be around 7.3% to GDP in 1993-94 (RE).

(c) The fiscal deficit in 1994-95(BE) is Rs. 54915 crores which will be around 6% of GDP compared to 5.69% in 1992-93, i.e. a slippage of 0.31 %. The total expenditure in 1992-93 was Rs. 122618 crores which was 17.37% of the GDP for that year. As against this, the total expenditure in BE 1994-95 is Rs. 151699 crores which would be around 16.7% of the GDP i.e. a decrease,of 0.67% compared to 1992-93. The reasons for higher fiscal deficit in 1994-95 compared to 1992-93 is due to increase in total expenditure of the order or Rs. 29081 crores whereas the revenue receipts and non-debt creating capital receipts are expected to go up only by Rs. 14339 crores.

**'Liberalisation of Interest Rates'**

3739. SHRI INDER KUMAR GUJRAL: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that as a result of Liberalisation of interest rates, interest cost on the Central Government debt has increased from 4 per cent of GDP in 1990-91 to5.1 per cent of GDP in 1994-95;

(b) whether it is also a fact that as a result of increased interest cost, nearly one-third of savings (from cutbacks in subsidies and in investment in the public sector) have been affected; and

(c) the steps Government are contemplating to arrest the trend?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) The expenditure on account of interest payments for the year 1994-95 (BE) is estimated at Rs. 46000 crores i.e. 5.06% of the GDP. The expenditure on this account in 1990-91 was Rs. 21498 crores which worked out to 4.04% of the GDP for that year. The rise indie interest burden is due partly to the high level of Government borrowing and partly to the fait that the Government is now borrowing at market related interest rates. The switch to market related interest rates was essential because, the earlier system in which Government botrowed heavily from the Reserve Bank at low rates or from commercial banks at artificial rates was leading respectively to inflationary pressure,and an adverse impact on the health of the banking system.

(b)The interest burden in 1994-95 is Rs. 24502 crores higher as compared to 1990-91. Expenditure on subsidies in 1990-91 was Rs. 12158 crores as against the estimated figure of Rs. 9463 crores in 1994-95 i.e. a reduction of Rs. 2695 crores. Budget support for plan investment in public enterprises during 1990-91 was of the order of Rs. 7595 crores which is expected to be Rs. 7201 crores in 1994-95 i.e. a reduction of Rs. 394 crores. The savings in expenditure on account of both subsidies and plan investments in public enterprises in 1994-95 as compared to 1990-91 is likely to be only of the order of Rs. 3089 crores whereas the increase on account of interest liability in 1994-95 compared to 1990-91 is estimated at Rs, 24502 crores due to borrowing for meeting the gap between total expenditure and receipts.

(c) The burden of interest payments can be reduced through several means including phased reduction in the Government's total borrowing requirements (lowering the fiscal deficit), by making the tax system more buoyant, reduction of non-productive Government expenditure and improvement in the functioning of public sector enterprises.